

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Slagle Township	County Wexford
Audit Date 3/31/06	Opinion Date 5/10/06	Date Accountant Report Submitted to State: 8/23/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 			Date 8-22-06

SLAGLE TOWNSHIP, WEXFORD COUNTY

HARRIETTA, MICHIGAN

MARCH 31, 2006

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

MARCH 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

May 10, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Slagle Township
Wexford County
Harrietta, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Slagle Township, Wexford County, Harrietta, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Slagle Township, Wexford County, Harrietta, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Slagle Township, Wexford County, Harrietta, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information, are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Slagle Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Slagle Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$169,406. Of this amount, \$145,775 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$152,079. About 95.85% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Slagle Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$169,406 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Slagle Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 152,891
Non Current Assets	
Capital Assets	\$ 51,556
Less: Accumulated Depreciation	<u>(34,229)</u>
Total Non Current Assets	<u>\$ 17,327</u>
Total Assets	<u><u>\$ 170,218</u></u>
Liabilities	
Current Liabilities	<u>\$ 812</u>
Net Assets	
Invested in Capital Assets	\$ 17,327
Restricted for Specific Purposes	6,304
Unrestricted	<u>145,775</u>
Total Net Assets	<u>\$ 169,406</u>
Total Liabilities and Net Assets	<u><u>\$ 170,218</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$145,775 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$15,245 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Slagle Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,586
General Revenues	
Taxes	22,296
State Shared Revenue	45,152
Unrestricted Investment Earnings	1,267
Other	<u>775</u>
Total Revenues	<u>\$ 73,076</u>
<u>Expenses</u>	
Legislative	\$ 1,876
General Government	32,733
Public Safety	14,000
Public Works	2,279
Other Functions	<u>6,943</u>
Total Expenses	<u>\$ 57,831</u>
Change in Net Assets	\$ 15,245
NET ASSETS - Beginning of Year	<u>154,161</u>
NET ASSETS - End of Year	<u><u>\$ 169,406</u></u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$15,245 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

The most significant portion of the revenue for all governmental activities of Slagle Township comes from state shared revenue and property taxes. The Township levied 0.7792 mills in tax for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total 56.60% of total expenses. The Township spent \$32,733 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$14,000, or 24.21% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$27,650. Depreciation expense added another \$1,302.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Slagle Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Slagle Township's governmental funds reported combined ending fund balances of \$152,079. Approximately 95.85%, or \$145,775 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for right of way maintenance must be used for expenditures that relate to right of way maintenance.

General Fund – The General Fund increased its fund balance by \$8,390 which brings the fund balance to \$152,079. All of the General Fund's functions, except for the Other Functions, ended the year with expenditures below budgeted amounts. The Other Functions differential was funded by available fund balance. Taxes amounted to \$22,296. State shared revenues were collected in the amount of \$40,397.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$17,327 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

SLAGLE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Slagle Township
Capital Assets as of March 31, 2006

	Governmental Activities
Land	\$ 8,000
Buildings	24,540
Land Improvements	400
Furniture and Fixtures	10,756
Machinery and Equipment	7,860
	<hr/> \$ 51,556
Less Accumulated Depreciation	<hr/> 34,229
	<hr/>
Net Capital Assets	<u><u>\$ 17,327</u></u>

Major capital asset events during the current fiscal year included:

- Purchase of new assessing and equalization software at a cost of \$2,640.
- Purchased of a new well pump at a cost of \$762.
- Received a new optical scanning voting machine valued at \$4,755 through a grant program administered by the State of Michigan.

Long-Term Debt. Slagle Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment Rollback.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Slagle Township at 2971 7 Road, Harrietta, Michigan 49638.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 145,171
Receivables:	
Taxes	1,487
Intergovernmental	<u>6,233</u>
Total Current Assets	<u>\$ 152,891</u>
.	
<u>CAPITAL ASSETS</u>	
Land	\$ 8,000
Buildings	24,540
Land Improvements	400
Furniture and Fixtures	10,756
Machinery and Equipment	<u>7,860</u>
	\$ 51,556
Less Accumulated Depreciation	<u>34,229</u>
Net Capital Assets	<u>\$ 17,327</u>
 TOTAL ASSETS	 <u><u>\$ 170,218</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 151
Payroll Taxes and Withholdings	<u>661</u>
Total Current Liabilities	<u>\$ 812</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	\$ 17,327
Restricted for Telecommunications Right of Way Maintenance	6,304
Unrestricted	<u>145,775</u>
TOTAL NET ASSETS	<u><u>\$ 169,406</u></u>

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 1,876	\$ 0	\$ 0	\$ 0	\$ (1,876)
General Government	32,733	3,586	0	4,755	(24,392)
Public Safety	14,000	0	0	0	(14,000)
Public Works	2,279	0	0	0	(2,279)
Other Functions	6,943	0	0	0	(6,943)
Total Governmental Activities	<u>\$ 57,831</u>	<u>\$ 3,586</u>	<u>\$ 0</u>	<u>\$ 4,755</u>	<u>\$ (49,490)</u>
<u>GENERAL REVENUES</u>					
	Taxes				\$ 22,296
	State Shared Revenues				40,397
	Unrestricted Investment Earnings				1,267
	Other				775
	Total General Revenues				<u>\$ 64,735</u>
	Change in Net Assets				\$ 15,245
	<u>NET ASSETS</u> - Beginning of Year				<u>154,161</u>
	<u>NET ASSETS</u> - End of Year				<u>\$ 169,406</u>

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY

HARRIETTA, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 145,171
Taxes Receivable	1,487
Due From Other Governments	<u>6,233</u>
TOTAL ASSETS	<u>\$ 152,891</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 151
Payroll Taxes and Withholdings	661
Total Liabilities	<u>\$ 812</u>
<u>FUND BALANCE</u>	
Reserved	
Reserved for Telecommunications Right of Way Maintenance	\$ 6,304
Unreserved	
Undesignated	145,775
Total Fund Balance	<u>\$ 152,079</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 152,891</u>

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	152,079
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	8,000	
Buildings		24,540	
Land Improvements		400	
Furniture and Fixtures		10,756	
Machinery and Equipment		7,860	
Accumulated Depreciation		(34,229)	17,327

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	169,406

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY

HARRIETTA, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 22,296
State Grants	45,152
Charges for Services	3,586
Interest and Rents	1,267
Other Revenues	775
	<hr/>
Total Revenues	\$ 73,076
<u>EXPENDITURES</u>	
Legislative	\$ 1,876
General Government	39,588
Public Safety	14,000
Public Works	2,279
Other Functions	6,943
	<hr/>
Total Expenditures	\$ 64,686
Net Change in Fund Balance	\$ 8,390
<u>FUND BALANCE</u> - Beginning of Year	<hr/> 143,689
<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 152,079

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 8,390
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(1,302)
Capital Outlay	<u>8,157</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 15,245</u></u>

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 2,263
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,000
Due to Other Governments	1,263
	<hr/>
Total Liabilities	\$ 2,263
	<hr/>

The accompanying notes are an integral part of the financial statements.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Slagle Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Slagle Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, Slagle Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

The Township's investment policy states that the Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following: checking accounts, money market accounts, certificates of deposits and bank savings accounts.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, one-third of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Slagle Township totaled \$18,343,059, on which ad valorem taxes levied consisted of 0.7792 mills for Slagle Township operating purposes. This levy raised approximately \$14,290 for operating purposes.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	20
Equipment and Furniture	5-10

Slagle Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank and Chemical Bank in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$48,930 of the government's bank balance of \$148,930 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 1,487
Intergovernmental	6,233
Total	<u><u>\$ 7,720</u></u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 8,000	\$ 0	\$ 0	\$ 8,000
Capital assets, being depreciated				
Buildings	\$ 24,540	\$ 0	\$ 0	\$ 24,540
Land Improvements	400	0	0	400
Furniture and Fixtures	6,001	4,755	0	10,756
Machinery and equipment	5,593	3,402	(1,135)	7,860
Total capital assets, being depreciated	\$ 36,534	\$ 8,157	\$ (1,135)	\$ 43,556
Less accumulated depreciation for:				
Buildings	\$ 24,540	\$ 0	\$ 0	\$ 24,540
Land Improvements	400	0	0	400
Furniture and Fixtures	5,182	271	0	5,453
Machinery and Equipment	3,940	1,031	(1,135)	3,836
Total accumulated depreciation	\$ 34,062	\$ 1,302	\$ (1,135)	\$ 34,229
Total capital assets, being depreciated, net	\$ 2,472	\$ 6,855	\$ 0	\$ 9,327
Governmental activities capital assets, net	\$ 10,472	\$ 6,855	\$ 0	\$ 17,327

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,302
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

The Township had no individual fund interfund receivable and payable balances at March 31, 2006.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balance in the amount of \$6,304 for Telecommunications Right of Way Maintenance.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Joint Fire District

The Township is a member of the S and H Volunteer Fire Department. The Township and the Villages of Harrietta support the fire department. The following financial information was taken from the Fire Department's December 31, 2005 audited financial statements:

Total Assets	\$ 76,690
Investment in Capital Assets	133,920
Net Assets	76,690
Total Revenues	45,822
Total Expenditures	23,054
Net Increase (Decrease) in Net Assets	22,768

A copy of these audited financial statements may be obtained upon request from the Fire Department treasurer.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Property Tax Administration Fee

The Township passed a resolution on April 11, 1983, to charge 1% administration fee on all ad valorem taxes levied after this date. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Current Tax Collection Fund

The balance of \$2,263 remaining in the Current Tax Collection Fund at March 31, 2006 consisted of taxes collected and due to other governmental Units of \$1,263. In addition, the fund has a \$1,000 permanent advance from the General Fund to maintain a minimum balance in the Tax Collection Fund bank account.

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 13,000	\$ 13,000	\$ 22,296	\$ 9,296
State Grants	30,000	30,000	45,152	15,152
Charges for Services	7,000	7,000	3,586	(3,414)
Interest and Rents	1,200	1,200	1,267	67
Other Revenues	1,020	1,020	775	(245)
Total Revenues	52,220	52,220	73,076	20,856
<u>EXPENDITURES</u>				
Legislative	3,000	3,000	1,876	1,124
General Government	40,400	40,400	39,588	812
Public Safety	14,100	14,100	14,000	100
Public Works	2,700	2,700	2,279	421
Health and Welfare	200	200	0	200
Recreation and Cultural	120	120	0	120
Other Functions	6,500	6,500	6,943	(443)
Contingency	115,200	115,200	0	115,200
Total Expenditures	182,220	182,220	64,686	117,534
Net Change in Fund Balance	(130,000)	(130,000)	8,390	138,390
<u>FUND BALANCE</u> - Beginning of Year	130,000	130,000	143,689	13,689
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 152,079	\$ 152,079

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 145,171
Taxes Receivable	1,486
Due from Other Governments	<u>6,233</u>
 TOTAL ASSETS	 <u><u>\$ 152,890</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 150
Payroll Withholdings	<u>661</u>
 Total Liabilities	 <u>\$ 811</u>

FUND BALANCE

Reserved for Telecommunications Right of Way Maintenance	\$ 6,304
Unreserved	<u>145,775</u>
 Total Fund Balance	 <u>152,079</u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 152,890</u></u>
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SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 13,000	\$ 13,000	\$ 22,296
State Grants	30,000	30,000	45,152
Charges for Services	7,000	7,000	3,586
Interest and Rents	1,200	1,200	1,267
Other Revenues	1,020	1,020	775
Total Revenues	\$ 52,220	\$ 52,220	\$ 73,076
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 3,000	\$ 3,000	\$ 1,876
General Government			
Supervisor	4,200	4,200	4,063
Election	3,000	3,000	4,755
Assessor	10,000	10,000	8,376
Clerk	5,200	5,200	5,094
Independent Audit	1,000	1,000	470
Board of Review	1,500	1,500	935
Treasurer	9,000	9,000	9,156
Building and Grounds	2,500	4,300	2,524
Cemetery	4,000	2,200	4,215
Public Safety			
Fire Department	14,000	14,000	14,000
911 Exchange	100	100	0
Public Works			
Street Lights	200	200	110
Sanitation	2,500	2,500	2,169
Health and Welfare	200	200	0
Recreation and Cultural			
Recreation and Parks	120	120	0

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Other Functions	6,500	6,500	6,943
Contingency	115,200	115,200	0
Total Expenditures	\$ 182,220	\$ 182,220	\$ 64,686
Excess (Deficiency) of Revenues Over Expenditures	\$ (130,000)	\$ (130,000)	\$ 8,390
<u>FUND BALANCE</u> - Beginning of Year	130,000	130,000	143,689
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 152,079

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006
<u>CURRENT TAX COLLECTION FUND</u>				
<u>ASSETS</u>				
Cash	\$ 1,281	\$ 642,073	\$ 641,091	\$ 2,263
<u>LIABILITIES</u>				
Due to Other Funds	1,000	22,239	22,239	1,000
Due to Other Governments	281	619,864	618,882	1,263
Total Liabilities	\$ 1,281	\$ 642,103	\$ 641,121	\$ 2,263

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	144,703	
Township			
Operating		14,290	
Schools			
Cadillac Area Public Schools		32,497	
Mesick Consolidated School		203,935	
Intermediate School			
Wexford-Missaukee Intermediate		<u>109,347</u>	\$ 504,772

TAXES COLLECTED

County	\$	129,647	
Township			
Operating		12,803	
Schools			
Cadillac Area Public Schools		29,522	
Mesick Consolidated School		187,570	
Intermediate School			
Wexford-Missaukee Intermediate		<u>97,969</u>	<u>457,511</u>

TAXES RETURNED DELINQUENT

County	\$	15,056	
Township			
Operating		1,487	
Schools			
Cadillac Area Public Schools		2,975	
Mesick Consolidated School		16,365	
Intermediate School			
Wexford-Missaukee Intermediate		<u>11,378</u>	<u>\$ 47,261</u>

SLAGLE TOWNSHIP, WEXFORD COUNTY
HARRIETTA, MICHIGAN

STATEMENT OF 2005 SUMMER PROPERTY TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	41,151	
County-State Education Tax		110,056	
School			
Cadillac Area Public Schools		<u>32,498</u>	183,705

TAXES COLLECTED

County	\$	38,861	
County-State Education Tax		103,927	
School			
Cadillac Area Public Schools		<u>32,341</u>	<u>175,129</u>

TAXES RETURNED DELINQUENT

County	\$	2,290	
County-State Education Tax		6129	
School			
Cadillac Area Public Schools		<u>157</u>	<u>\$ 8,576</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 10, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Slagle Township
Wexford County
Harrietta, Michigan

During the course of our audit of the financial statements of Slagle Township for the year ended March 31, 2006, we noted the following:

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for township financial statements. For the Township these changes were implemented in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that reports financial information on a government wide basis and incorporates capital assets, and a provision for depreciation on those assets.

We commend the Township for their diligent efforts and assistance necessary to implement these rather radical changes as required by this new reporting pronouncement.

Telecommunications Right-of-Way Revenues

The state restricts the use of these revenues to specific items such as road maintenance and street lighting. We recommend that the Township keep subsidiary records to track all telecommunication revenues and related expenses.

General Recordkeeping

The accounting records for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 10, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Slagle Township
Wexford County
Harrietta, Michigan

In planning and performing our audit of the basic financial statements of Slagle Township, Wexford County, Harrietta, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.